

STATE OF CALIFORNIA
BUSINESS TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: F-19 Holdings, LLC
17215 SE Wax Rd.
Covington, WA 98042

DESIST AND REFRAIN ORDER
(For violations of section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. F-19 Holdings, LLC ("F-19") is a Delaware limited liability company doing business in California and located at 17215 SE Wax Rd., Covington, WA 98042.
2. F-19 Holdings, LLC has established retail exercise/gym facilities at 26 locations throughout California, and has created a separate entity ("Local LLC") for the management and operation of each facility. F-19 Holdings, LLC retains a controlling interest in each Local LLC and control over operations of each local facility. Each facility uses the trademark and trade name "Fitness 19" with the consent of F-19 and each Local LLC is granted the right to use the "Fitness 19" service mark and related logos, trademarks, service marks, trade names, and other commercial symbols in connection with the operation of their facilities. All of the "Fitness 19" facilities use the same standard business model which features large, well lit facilities located in suburban locations with a variety of exercise equipment and accessible parking. The monthly fee for retail members is suggested at \$19 and each location is distinguished by the fact that there are minimal water facilities, such as showers or spas, and each facility contains a childcare operation.
3. The Local LLC manager/operator receives an Operations Manual provided by F-19 containing suggested standards and operating procedures and marketing systems for each Fitness 19

1 facility. F-19 Holdings, LLC provides set-up services, location selection advice and ongoing credit
2 enhancements and assistance to each Local LLC. Each Local LLC pays a fee, currently in the
3 amount of \$15,000 to F-19 upon the commencement of operations for these services and credit
4 enhancements. A revenue sharing and operating agreement is entered into between F-19 and the
5 members of the Local LLC, and accordingly a portion of the income generated by each Local LLC is
6 paid to F-19 on a monthly basis. Some, but not all of the Local LLC members have provided loans to
7 the Local LLC which F-19 repays at a fixed interest rate.
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9 4. F-19 Holdings, LLC provides equity in the form of membership interests in the Local
10 LLC's to some manager/operators as incentives to maximize revenue.
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12 5. The Commissioner has determined that the relationship between F-19 and each Local LLC
13 is a franchise, as defined in California Corporations Code 31005. These franchises were offered and
14 sold in this state.
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16 6. The Department of Corporations has not issued a registration to F-19 or the Managers for
17 the offer or sale of "Fitness 19" franchises in this state.
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19 Based upon the foregoing findings, the California Corporations Commissioner is of the
20 opinion that F-19 Holdings, LLC, has offered and sold franchises in California that are subject to
21 registration under the California Franchise Investment Law, in violation of California Corporations
22 Code section 31110. Pursuant to section 31402 of the California Corporations Code, F-19 Holdings,
23 LLC, is hereby ordered to desist and refrain from the further offer or sale of "Fitness 19" franchises
24 unless and until the offers have been duly registered under the California Franchise Investment Law
25 or unless exempt.
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27 This Order is necessary, in the public interest, for the protection of franchisees and consistent
28 with the purposes, policies, and provisions of the Franchise Investment Law.

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Dated: April 15, 2008

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Lead Corporations Counsel
Enforcement Division